

## SUMMARY ANALYSIS OF AMENDED BILL

Author: Calderon Analyst: Paul Brainin Bill Number: SB 14

Related Bills: PPSB 19 (1996) Telephone: 845-3380 Amended Date: 03-16-98

Attorney: Doug Bramhall

Sponsor:

**SUBJECT:** Employer Jury Service Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

X AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced December 2, 1996.

X FURTHER AMENDMENTS NECESSARY.

X DEPARTMENT POSITION CHANGED TO PENDING.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED DECEMBER 2, 1996, STILL APPLIES.

OTHER - See comments below.

### SUMMARY OF BILL

This bill would authorize a credit of an amount equal to 50% of compensation paid to an employee during the time spent serving on a trial jury.

This bill also would make a variety of changes to the Code of Civil Procedure and the Unemployment Insurance Code relating to jury service. These will not be addressed by this analysis as they do not impact the department's programs and operations.

### SUMMARY OF AMENDMENT

The March 16, 1998, amendments reinstated the credit which had been provided in the December 2, 1996, and April 2, 1997, versions of this bill.

The March 16, 1998, amendments also made changes to the Code of Civil Procedure sections.

With the exception of the new effective date and the revised revenue estimate, the department's prior analysis of the bill as introduced December 2, 1996, still applies. The concerns identified by the department's analysis still exist and are included below for convenience.

DEPARTMENTS THAT MAY BE AFFECTED:

\_\_\_ STATE MANDATE

\_\_\_ GOVERNOR'S APPOINTMENT

Board Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
\_\_\_ X \_\_\_ PENDING

Agency Secretary Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
DEFER TO \_\_\_\_\_

**GOVERNOR'S OFFICE USE**

Position Approved \_\_\_  
Position Disapproved \_\_\_  
Position Noted \_\_\_

Department/Legislative Director Date

Johnnie Lou Rosas 4/3/98

Agency Secretary Date

By: Date:

#### EFFECTIVE DATE

This bill would apply to taxable or income years beginning on or after January 1, 1999.

#### Policy Considerations

Tax credits generally are established with a sunset date to ensure that their effectiveness is periodically reviewed by the Legislature. This credit would be allowed indefinitely.

This bill does not reduce the amount of deduction which may be claimed for wages which qualify for the credit.

This credit would be allowed if the employee **serves** on a trial jury. Individuals summoned for jury service may spend several days away from work at the courthouse and not be selected for an actual trial jury. Also, others may need only to call the courthouse periodically to find out if they need to appear at the courthouse for selection. If the author's intent is to encourage the employer to pay regular wages while the employee is away from work, the author may wish to tie the credit to jury service when the employee is physically present at the courthouse, and not just for time actually served on a jury.

This bill does not require that "compensation" used to calculate the credit be reduced by any jury fee forfeited by the employee to the employer. Thus, if an employer requires an employee to forfeit the jury fee in order to receive regular wages (as is the case with state employees), the employer would receive the jury fee and be able to claim the credit on the full amount of compensation paid.

#### Implementation Considerations

This bill would allow a credit for 50% of the amount paid or incurred as compensation to an employee serving on a trial jury. The court provides a verification slip every day to each person performing jury service at the courthouse; however, that slip does not note the length of time served. A revision of the verification process would create a means by which the compensation paid or incurred by an employer to its employee for time spent on jury service could be more accurately calculated.

The term "compensation" is not defined and could lead to questions regarding self-employed individuals and items included in compensation (i.e.: salary, wages, and/or benefits). This term needs to be more explicitly defined before the department could implement this bill.

The language in the bill does not clearly state who is able to claim the credit. Additional clarification that the credit is allowed to the employer, not the employee, is needed.

This bill would not limit the number of years any excess credit could be carried over. Credits generally contain a limited carryover since credits typically are exhausted within eight years.

FISCAL IMPACT

Departmental Costs

Once the implementation concerns are resolved, this bill would not significantly impact the department's costs.

Tax Revenue Estimate

Fiscal Year Cash Flow Impact Effective 1/1/99 Enacted after 6/30/98 \$ Millions				
	1998-9	1999-0	2000-01	2001-02
Personal Income Tax	(\$2)	(\$5)	(\$8)	(\$9)
Bank & Corporation Tax	(\$7)	(\$24)	(\$36)	(\$42)
Total	(\$9)	(\$29)	(\$44)	(\$51)

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Tax Revenue Discussion

The revenue impact for this bill would be determined by the amount of compensation paid by employers to employees while serving on a trial and the state tax liabilities of qualified employers.

The revenue impact for this amendment differs from the April 2, 1997, amended version due to (a) a one year lag, and (b) the revenue gain for taxes on the amount of additional wages that would not otherwise be paid to jurors and now would. It was projected that this amount would generate approximately an additional \$2 million in tax annually, which was not included previously.

This estimate was developed in the following steps. First, there were about 17,000 jury trials in California Superior and Municipal courts during the fiscal year 1994-95. This number was grown 1% annually to account for growth in trials, reaching approximately 17,200 trials for 1999. Second, there was an average of 14 jurors (including alternates) per trial. Thus, these trials would have involved about 240,000 jurors (17,200 x 14 = 240,800). This number was reduced by one-third to account for government employees and other tax exempt entities and retired individuals, thus leaving 160,000 jurors. Third, with the average trial lasting five days, the juror person days would have amounted to approximately 800,000 (160,000 x 5). Fourth, the average daily salary of \$110 for 1996, (California Statistical Abstract) was grown by the CPI (Consumer Price Index) to reflect an average of \$129 for 1999, that would be paid for each juror. Thus, the total wages paid would be approximately \$103 million (800,000 x \$129) for 1999. Fifth, for this estimate it was assumed that persons serving on grand juries represent an insignificant amount in terms of income paid. The revenue loss was adjusted by the revenue gain for additional wages reported by employees who would not otherwise be paid. Credit usage in any given year would depend on sufficient tax liabilities. It was assumed that 55% of the allowable credits would be applied in any given year and the remaining credits would be carried over and applied in the following years.

BOARD POSITION

Pending.

